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November 19, 2009

Jeff Derouen  
Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
Frankfort, KY 40602

**RECEIVED**

NOV 19 2009

**PUBLIC SERVICE  
COMMISSION**

**Re: Louisville Gas and Electric Company**

Dear Mr. Derouen:

2009-00430

Enclosed for filing please find the original and ten copies of the Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations. We are also simultaneously filing a Motion for Deviation from Rules and for Incorporation by Reference. An extra copy of the Application and the Motion are enclosed to be file stamped and returned to the undersigned.

Please do not hesitate to contact me if you have any questions or require additional information.

Very truly yours,

J. Wade Hendricks

JWH/dvg

Enclosure

cc: Dennis Howard, II, Esq.  
Daniel Arbough  
Lonnie Bellar  
Rick Lovekamp  
John Fendig, Esq.  
Allyson K. Sturgeon, Esq.  
John Wiedmar  
Don Harris  
400001.135912/603922.1

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**THE APPLICATION OF LOUISVILLE )  
GAS AND ELECTRIC COMPANY FOR AN )  
ORDER AUTHORIZING THE ISSUANCE )  
OF SECURITIES AND THE ASSUMPTION )  
OF OBLIGATIONS )**

**CASE NO. 2009-00450**

**APPLICATION**

Louisville Gas and Electric Company ("LG&E" or the "Company") hereby requests, pursuant to KRS 278.300, that the Commission authorize the issuance of securities, assumption of obligations and entrance into all necessary agreements and other documents relating thereto as more fully described herein. Specifically, LG&E requests authority to obtain long-term debt financing from an affiliate within the E.ON AG ("E.ON") holding company system. In support of this Application, LG&E states as follows:

1. The Company's full name is Louisville Gas and Electric Company. The post office address of the Company is 220 West Main Street, Louisville, Kentucky 40202. LG&E is a Kentucky corporation, a utility as defined by KRS 278.010(3)(a), and (b) and as of August 31, 2009, provides retail electric service to approximately 390,000 customers and retail gas service to approximately 314,000 customers in seventeen counties in Kentucky. A description of LG&E's properties is set out in Exhibit 1 to this Application. A certified copy of the Company's Articles of Incorporation was filed with the Commission in Case No. 2005-00471 (*In the Matter of: The Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Authority to Transfer Functional Control of Their Transmission System*) and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

2. LG&E obtains financing through numerous sources of capital, including the form of debt that is the subject of this Application. LG&E does not assign specific financing to any particular project or use, and does not project finance projects. All components of LG&E's capital structure are used to fund capital expenditures. Thus, the uses cited below are general reasons for LG&E's need for debt financing, rather than projects for which the financing will be required.

3. LG&E anticipates incurring capital expenditures during calendar year 2010 for its share of construction costs for Trimble County Unit 2 in Trimble County, Kentucky. LG&E requested a Certificate of Public Convenience and Necessity and a Site Compatibility Certificate for those facilities in Case No. 2004-00507 (*In the Matter of: The Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity, and a Site Compatibility Certificate, for the Expansion of the Trimble County Generating Station*). The Commission granted the requested certificates by Orders dated November 1, 2005 and November 9, 2005 in Case No. 2004-00507. This facility is described in the Engineering, Procurement and Construction Contract (the "EPC Contract") previously filed by LG&E's sister utility, Kentucky Utilities Company. By Motion filed concurrently herewith, LG&E is requesting that the EPC Contract be incorporated by reference herein. During 2010, LG&E anticipates incurring up to \$8 million in construction costs in connection with Trimble County Unit 2.

4. Including TC2 construction costs, LG&E anticipates incurring approximately \$187,500,000 in capital expenditures during 2010. Attached to this Application as Exhibit 2 is a summary of LG&E's capital budget for 2010.

### **Description of LG&E's Position Within the Holding Company and the Affiliate**

5. E.ON U.S. LLC ("E.ON US") is an indirect subsidiary of E.ON. The Company is a wholly owned subsidiary of E.ON US. E.ON U.S. Holding GmbH, is also a subsidiary of E.ON. Fidelity Corporation ("Fidelity"), a finance company subsidiary organized in Delaware, is a subsidiary of E.ON U.S. Holding GmbH. Fidelity lends money to companies in the E.ON Holding Company System and upon request of the Company would lend money to the Company as set out in this Application.

### **Description of the New Long-Term Debt**

6. This Application relates to the issuance of long-term unsecured debt by LG&E to Fidelity.<sup>1</sup> The Company proposes to borrow money from Fidelity in an amount not to exceed \$50,000,000 at one or more times during calendar year 2010. The Company anticipates issuing unsecured notes to Fidelity with final maturity not to exceed thirty years. Such borrowing would only occur if the interest rate on the loan would result in an equal or lower cost of borrowing than the Company could obtain in a loan from E.ON or in the capital markets on its own. All borrowings from Fidelity would be at the lowest of 1) E.ON's effective cost of capital; 2) Fidelity's effective cost of capital; and 3) the Company's effective cost of capital determined by reference to the effective cost of a direct borrowing by the Company from an independent third party for a

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<sup>1</sup>The Commission has previously approved other long-term debt financing between LG&E and an affiliate within the E.ON holding company system. See Case No. 2008-00428 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of October 21, 2008, Case No. 2007-00548 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligation*), Orders of February 13, 2008 and February 27, 2008, Case No. 2007-00039 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of March 22, 2007, Case No. 2006-00445 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of January 31, 2007, Case No. 2003-00300 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Order of September 22, 2003, and Case No. 2003-00058 (*In the Matter of: The Application of Louisville Gas and Electric Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*), Orders of April 14, 2003 and April 30, 2003.

comparable term loan that could be obtained at the time of the loan (the "Best Rate Method"). The Best Rate Method assures the Company that it will not pay more for a loan from Fidelia than it would pay in the capital markets for a similar loan. The Company's treasury group has evaluated its capital requirements through December 31, 2010, and the appropriate sources of capital available to it (both existing and potential). The Company has determined that it would be cost effective to borrow money from Fidelia through this intercompany loan facility and desires to take advantage of this opportunity.

7. The interest rates will be set at the time of issuance of each note and would depend on the maturity of the notes. The interest rate on each note would be the lower of (a) the average of three quotes obtained by the affiliate company from international investment banks for an unsecured bond issued by E.ON for the applicable term of the loan; and (b) the lowest of three quotes obtained by the Company from international investment banks for a secured bond issued by the Company with the applicable term of the loan. This method complies with the Best Rate Method because this rate would be determined using the lower of the average of actual quotes obtained based upon the credit of E.ON or the lowest of three actual quotes obtained by the Company.

8. A note would be executed by the Company each time a loan was made by Fidelia to the Company stating the interest rate, maturity date and payment terms. Attached to the Application as Exhibit 3 is the form of the intercompany loan agreement and note. Issuance expenses for the intercompany loans described herein will not exceed, in total, the sum of \$50,000. In connection with the issuance of the debt, LG&E may enter into one or more interest rate hedging agreements (T-bill lock, swap or similar agreement, collectively the "Hedging Facility") either with an E.ON affiliate or with a bank or financial institution. The Hedging

Facility would be an interest rate agreement designed to allow the Company to lock in the underlying interest rate on the loan in advance of the closing of the loan. The Hedging Facility will set forth the specific terms under which the Company will agree to make payments, and the other terms and conditions of any rights or obligations thereunder.

9. No contracts have been made for the disposition of any of the securities which LG&E proposes to issue.

10. A redacted copy of the Engineering, Procurement and Construction Contract for Trimble County Unit 2, which describes those facilities, was filed, along with a Motion for Confidential Protection, by LG&E's sister utility, Kentucky Utilities Company in the Record of Case No. 2007-00024 (*In the Matter of: The Application of Kentucky Utilities Company for an Order Authorizing the Issuance of Securities and the Assumption of Obligations*). By Motion filed concurrently herewith, LG&E is requesting that the Engineering, Procurement and Construction Contract be incorporated by reference herein.

11. LG&E shall, as soon as reasonably practicable after the issuance of each note referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the notes, the proceeds of such notes, the interest rates, costs or gains with the Hedging Facility, and all fees and expenses involved in such issuance.

12. Exhibit 4 to this Application contains the financial exhibit required by 807 KAR 5:001, Section 11(2)(a), and described by 807 KAR 5:001, Section 6. It also contains information required by 807 KAR 5:001, Section 11(2)(b).

13. A meeting of LG&E's Board of Directors to authorize the issuance of the notes, and the transactions related thereto as discussed in this Application is scheduled for December

10, 2009, and a certified copy of the resolution will be filed as a supplement to this Application as soon as it is available.

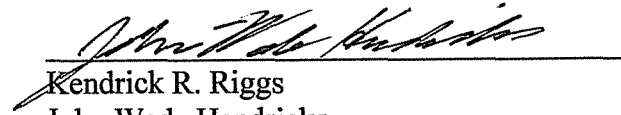
14. Other requirements of the Commission's regulation regarding this Application, 807 KAR 5:001, Section 11, including (1)(b) regarding the amount and kind of notes, etc., and (1)(c) regarding the use to be made of the proceeds, have been supplied in the discussion above in Paragraphs 2 through 8 of this Application.

**WHEREFORE**, Louisville Gas and Electric Company respectfully requests that the Commission enter its Order authorizing it to issue securities and to execute, deliver and perform the obligations of LG&E under the intercompany loan agreement and the notes, as set forth in this Application. LG&E further requests that the Order of the Commission specifically include provisions stating:

1. LG&E is authorized to issue and deliver its unsecured notes in an aggregate principal amount not to exceed \$50,000,000 in the manner set forth in its Application.

2. LG&E is authorized to execute, deliver and perform the obligations of LG&E under, *inter alia* the loan agreement with Fidelity Corporation, the notes, and such other agreements and documents as set out in its Application, and to perform the transactions contemplated by such agreements.

Respectfully submitted,



---

Kendrick R. Riggs  
John Wade Hendricks  
Stoll Keenon Ogden PLLC  
2000 PNC Plaza  
500 West Jefferson Street  
Louisville, Kentucky 40202  
(502) 333-6000

Allyson K. Sturgeon  
Senior Corporate Attorney  
E.ON U.S. LLC  
220 West Main Street  
Louisville, KY 40202  
(502) 627-2088

Counsel for Louisville Gas and Electric  
Company

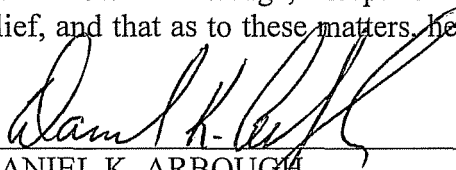


VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

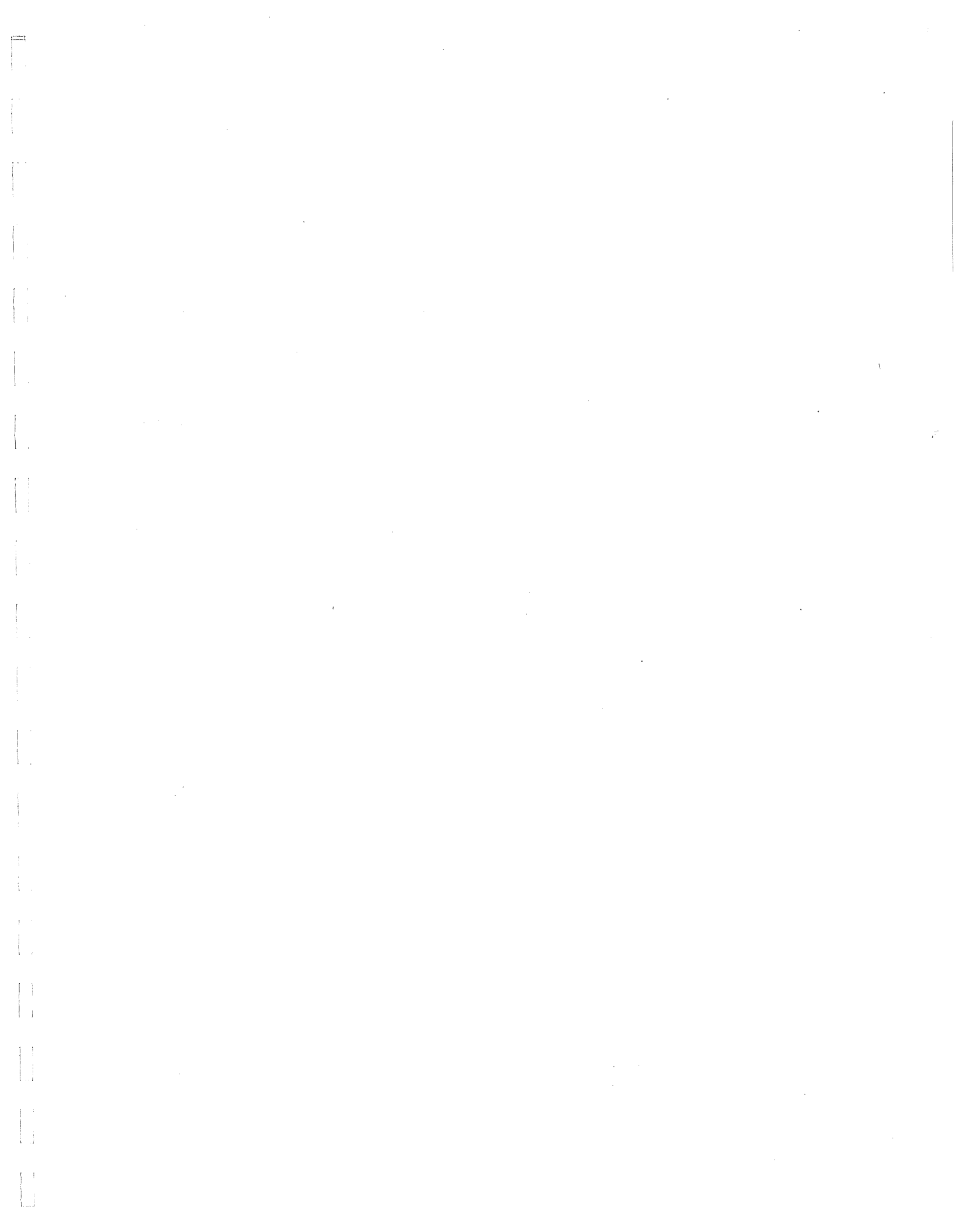
Daniel K. Arbough being first duly sworn, deposes and says that he is Treasurer for Louisville Gas and Electric Company, that he has read the foregoing Application and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and that as to these matters, he believes them to be true.

  
DANIEL K. ARBOUGH

Subscribed and sworn before me this 18<sup>th</sup> day of November, 2009.

My Commission Expires: August 31, 2011.

  
NOTARY PUBLIC, STATE AT  
LARGE



LOUISVILLE GAS AND ELECTRIC COMPANY  
(807 KAR 5:001, Section 11, Item 1 (a))

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A  
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY  
AND THE COST THEREOF TO APPLICANT

August 31, 2009

The applicant's generating, transmission and distribution systems described herein are calculated annually. As of December 31, 2008, the applicant owned and operated eight steam generating units having a total capacity of 2,418 MW, fourteen combustion turbine generating units having a total capacity of 665 MW, and one hydroelectric generating station, the operation of which is affected by the water level and flow of the Ohio River, having a total capacity of 52 MW.

The applicant's electric transmission system included 42 substations (30 of which are shared with the distribution system) with a total capacity of approximately 11,820 MVA and approximately 894 miles of lines. The applicant's electric distribution system included 93 substations (30 of which are shared with the transmission system) with a total capacity of approximately 5,060 MVA, approximately 3,926 miles of overhead lines and approximately 2,327 miles of underground conduit.

The applicant operated underground gas storage facilities with a current working gas capacity of approximately 15 million Mcf used for seasonal and peak-day augmentation of winter pipe line supply.

The applicant's gas transmission system included 256 miles of transmission mains, and the gas distribution system includes 4,235 miles of distribution mains.

Other properties include an office building, service centers, warehouses, garages and other structures and equipment, the use of which is common to both the electric and gas departments.

The net original cost of the property and cost thereof to the applicant at August 31, 2009, was:

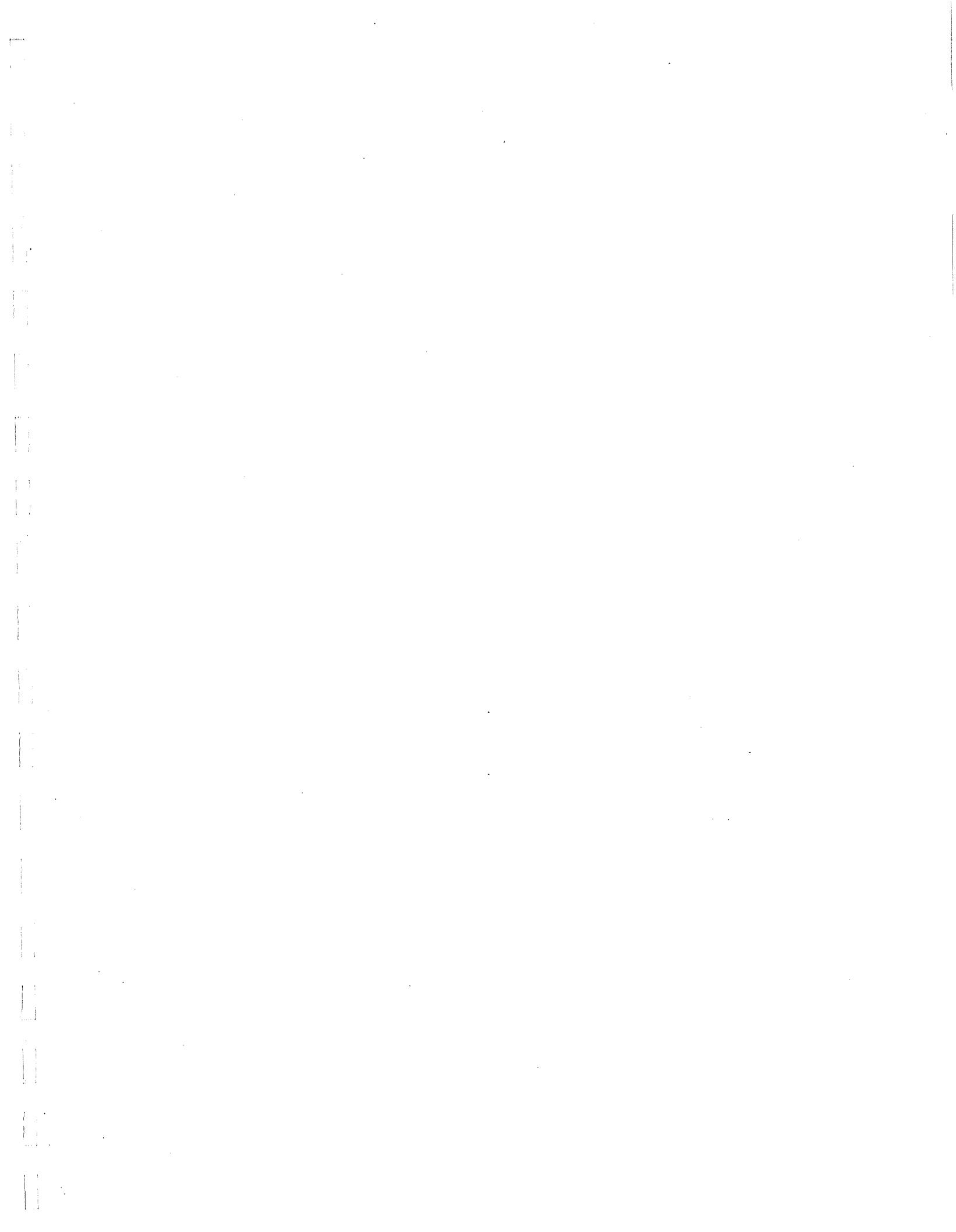
	<u>Electric</u>	<u>Gas</u>	<u>Common</u>	<u>Total</u>
Original Cost	\$ 3,687,460,483	\$ 661,504,712	\$ 235,801,721	\$ 4,584,766,916
Less Reserve for				
Depreciation	1,664,233,092	225,614,906	99,297,644	1,989,145,642
Net Original Cost	2,023,227,391	435,889,806	136,504,077	2,595,621,274
Allocation of Common				
To Electric and Gas	101,013,017	35,491,060	(136,504,077)	-
Total	\$ 2,124,240,408	\$ 471,380,866	\$ -	\$ 2,595,621,274



EXHIBIT 2  
2010 CAPITAL BUDGET  
(INCLUDES TC2)

Generation	\$ 54,300,000
Transmission	8,100,000
Distribution	104,800,000
Customer Services, Sales & Marketing	7,500,000
Information Technology	11,900,000
Other	<u>900,000</u>
<b>TOTAL</b>	<b>\$187,500,000</b>

400001.135912/603249.2



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**Louisville Gas & Electric Company**  
*(as Borrower)*

**Fidella Corporation**  
*(as Lender)*

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**LOAN AGREEMENT**

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**THIS AGREEMENT** made on \_\_\_\_\_, \_\_\_\_\_

**Between**

**LOUISVILLE GAS & ELECTRIC COMPANY** a Kentucky corporation, as borrower (the *Borrower*); and

**FIDELIA CORPORATION**, a Delaware corporation, as lender (the *Lender*).

**Whereas**

(A) The Lender and the Borrower hereby enter into an agreement for the provision by the Lender to the Borrower of a loan in the amount of \$\_\_\_\_\_ (the Loan Amount).

**Now it is hereby agreed** as follows:

**1. Definitions**

**1.1 In this Agreement**

***Business Day*** means a day on which banks in New York are generally open

***Default Interest Rate*** means: the rate, as determined by the Lender, applying to the principal element of an overdue amount under Clause 6.3, calculated as the sum of the interest rate in effect immediately before the due date of such amount, plus 1%;

***Effective Date*** shall have the meaning given to it in Clause 2.1;

***Final Repayment Date*** means \_\_\_\_\_, \_\_\_\_\_;

***Interest Payment Date*** means \_\_\_\_\_ and \_\_\_\_\_ of each year during the term of this agreement, provided, that:

any Interest Payment Date which is not a Business Day shall be extended to the next succeeding Business Day;

***Loan Amount*** means \$\_\_\_\_\_;

***Maturity Date*** means the Final Repayment Date;

**Request** means a request for the Loan Amount from the Borrower to the Lender under the terms of clause 3.1;

**Termination Event** means an event specified as such in Clause 7;

**Value Date** means the date upon which cleared funds are made available to the Borrower by the Lender pursuant to a Request made in accordance with Clause 3.1. Such date shall be a Business Day as defined herein.

## **2. Term Loan**

- 2.1 This Agreement shall come into effect on \_\_\_\_\_, \_\_\_\_ (the "Effective Date").
- 2.2 The Lender grants to the Borrower upon the terms and conditions of this Agreement a term loan in an amount of \$\_\_\_\_\_.
- 2.3 The new indebtedness shall be evidenced by a note in substantially the form of Exhibit "A" attached hereto.

## **3. Availability of Requests**

- 3.1 On the Effective Date, the Borrower will submit a request (the "Request") to the Lender for the Loan Amount, such Request specifying the Value Date, the Maturity Date and the bank account to which payment is to be made. The Request shall be submitted to the Lender by the Borrower and delivered in accordance with Clause 9.3.

## **4. Interest**

- 4.1 The rate of interest on the Loan Amount is \_\_\_\_%.
- 4.2 Interest shall accrue on the basis of a 360-day year consisting of twelve 30 day months upon the Loan Amount.
- 4.3 Interest shall be payable in arrears on each Interest Payment Date.

## **5. Repayment and Prepayment**

- 5.1 The Borrower shall repay the Loan Amount together with all interest accrued thereon and all other amounts due from the Borrower hereunder on the Final Repayment Date, whereupon this Agreement shall be terminated.
- 5.2 On any Interest Payment Date, and with at least three business day's prior written notice, the Borrower shall be entitled to prepay any amount of the loan outstanding, provided such payment is not less than \$1,000,000 and provided further, the Borrower shall pay a prepayment charge equal to the present value of the difference between (i) the interest payable provided in this loan agreement and (ii) the interest payable at the prevailing interest rate at the time of prepayment, for the period from the date of prepayment through the Maturity Date, which difference, if negative, shall be deemed to be zero. The present value will be determined using the prevailing interest rate at the time of the prepayment as the discount rate.
- 5.3 A certificate from the Lender as to the amount due at any time from the Borrower to the Lender under this Agreement shall, in the absence of manifest error, be conclusive.

## **6. Payments**

- 6.1 All payments of principal to be made to the Lender by the Borrower shall be made on the Final Repayment Date, or on an Interest Payment Date under Clause (5.2) to such account as the Lender shall have specified.
- 6.2 Interest shall be payable in arrears on each Interest Payment Date.
- 6.3 If and to the extent that full payment of any amount due hereunder is not made by the Borrower on the due date then, interest shall be charged at the Default Interest Rate on such overdue amount from the date of such default to the date payment is received by the Lender.

## **7. Termination Events**

- 7.1 The Borrower shall notify the Lender of any Event of Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of it.
- 7.2 The following shall constitute an Event of Default hereunder:
- 7.2.1 Default is made by the Borrower in the payment of any sum due under this Agreement and such default continues for a period of 10 Business Days;
  - 7.2.2 Bankruptcy proceedings are initiated against the Borrower;
  - 7.2.3 The Borrower leaves the E.ON Group (i.e. the companies consolidated in E.ON AG's balance sheet);

If a Termination Event occurs under Clause (7.2.2) of this section, the Loan Amount outstanding together with interest will become due and payable immediately.

If a Termination Event occurs according to Clauses (7.2.1) or (7.2.3) of this Section, Lender shall at its discretion grant Borrower a reasonable grace period unless such grace period shall be detrimental to the Lender. If the Termination Event is uncured at the expiration of such period, the Loan Amount outstanding together with interest will become due and payable immediately.

## **8. Operational Breakdown**

- 8.1 The Borrower is not liable for any damages incurred by the Lender and the Lender is not liable for any damages incurred by the Borrower caused by Acts of God or other circumstances incurred by one party for which the other party cannot be held responsible (i.e. power outages, strikes, lock-outs, domestic and foreign acts of government and the like).

**9. Notices**

- 9.1 Each communication to be made in respect of this Agreement shall be made in writing but, unless otherwise stated, may be made by facsimile transmission or letter.
- 9.2 Communications to the Borrower shall be addressed to: Louisville Gas & Electric Company, 220 W. Main St., Louisville, KY 40202, Attn: Treasurer fax# (502)627-4742 except for confirmations which should be sent to the attention of Karen Callahan.
- 9.3 Communications to the Lender shall be addressed to: Fidella Corporation, 919 N. Market Street, Suite 504, Wilmington, Delaware 19801, Attn: President.

**10. Assignment**

- 10.1 The Lender may at any time assign, novate or otherwise transfer all or any part of its rights and obligations under this Agreement to any affiliate of the Lender.

**11. Severability**

- 11.1 If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

**12. Counterparts**

- 12.1 This Agreement may be executed in any number of counterparts that shall together constitute one Agreement. Any party may enter into an Agreement by signing any such counterpart.

**13. Law**

13.1 This Agreement shall be governed by and construed for all purposes in accordance with the laws of Delaware.

**IN WITNESS** whereof the parties have executed this Agreement the day and year first above written.

**SIGNED** by \_\_\_\_\_ )  
for and on behalf of )  
Louisville Gas & Electric Company)

**SIGNED** by \_\_\_\_\_ )  
for and on behalf of )  
Fidelia Corporation )

**EXHIBIT "A"**

**PROMISSORY NOTE**

U.S. \$ \_\_\_\_\_

Louisville, KY, \_\_\_\_\_, \_\_\_\_\_

Louisville Gas & Electric Company ("LG&E"), for value received, hereby promises to pay to the order of Fidella Corporation ("Fidella") in lawful money of the United States of America (in freely transferable U.S. dollars and in same day funds), in accordance with the method of payment specified in that certain LG&E Loan Agreement dated as of \_\_\_\_\_, \_\_\_\_\_, between LG&E and Fidella ("the Agreement"), the principal sum of \$ \_\_\_\_\_, which amount shall be payable at such times as provided in the Agreement.

LG&E promises also to pay interest on the unpaid principal amount hereof in like money and in like manner at the rates which shall be determined in accordance with the provisions of the Agreement, said interest to be payable at the time provided for in the Agreement. This Note is referred to in the Agreement and is entitled to the benefits thereof and the security contemplated thereby. This Note evidences a loan made by Fidella, during such time as such loan is being maintained. This Note is subject to prepayment as specified in the Agreement. In case LG&E defaults on the loan, the principal and accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Agreement.

LG&E hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

This Note shall be governed and construed and interpreted in accordance with the laws of the State of Delaware

Louisville Gas & Electric Company

By: \_\_\_\_\_





LOUISVILLE GAS AND ELECTRIC COMPANY

FINANCIAL EXHIBIT  
(807 KAR 5:001 SEC. 6)

August 31, 2009

- (1) Amount and kinds of stock authorized.

75,000,000 shares of Common Stock, without par value.

- (2) Amount and kinds of stock issued and outstanding.

21,294,223 shares of Common Stock, without par value, recorded at \$425,170,424.

- (3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets or otherwise.

None

- (4) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of indebtedness actually secured, together with any sinking fund provisions.

None

- (5) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together which amount of interest paid thereon during the last 12-month period.

Unsecured

Louisville Gas and Electric Company

<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Principal Amount</u>		<u>Interest Expense Year Ended 31-Aug-09</u>
			<u>Authorized</u>	<u>Outstanding at 31-Aug-09</u>	
Pollution Control Bonds					
05/19/00	05/01/27	5.375%	25,000,000	25,000,000	\$ 1,030,210
08/09/00	08/01/30	Variable	83,335,000	83,335,000	815,213
09/11/01	09/01/27	Variable	10,104,000	10,104,000	99,006
03/06/02	09/01/26	Variable	22,500,000	22,500,000	309,696
03/06/02	09/01/26	Variable	27,500,000	27,500,000	381,041
03/22/02	11/01/27	Variable	35,000,000	35,000,000	455,639
03/22/02	11/01/27	Variable	35,000,000	35,000,000	455,639
10/23/02	10/01/32	Variable	41,665,000	41,665,000	503,816
11/20/03	10/01/33	Variable	128,000,000	128,000,000	* (731,585) **
04/13/05	02/01/35	5.750%	40,000,000	40,000,000	1,763,333
04/26/07	06/01/33	5.625%	31,000,000	31,000,000	1,336,875
04/26/07	06/01/33	Variable	35,200,000	35,200,000	* -
04/26/07	06/01/33	4.600%	60,000,000	60,000,000	2,760,000
Interest Rate Swaps					6,486,242
					<u>\$ 15,665,125</u>

\* LG&E issued notices to bondholders of its intention to convert these bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. In connection with the conversions, LG&E purchased the bonds from the remarketing agent. The bonds are expected to be remarketed to the public at a later time.

\*\* This amount includes a \$650,499 credit for the write-off of the gain recorded in other comprehensive income for the termination of a swap related to this bond and \$81,086 of amortization of other comprehensive income against interest expense for three ineffective swaps related to this bond.

- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last 12-month period.

<u>Payee</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Rate of Interest</u>	<u>Amount</u>	<u>Interest Expense Year Ended August 31, 2009</u>
Fidelia Corp.	01/15/04	01/16/12	4.33%	25,000,000	\$1,082,500
Fidelia Corp.	04/30/03	04/30/13	4.55%	100,000,000	4,550,000
Fidelia Corp.	08/15/03	08/15/13	5.31%	100,000,000	5,310,000
Fidelia Corp.	11/21/08	11/23/15	6.48%	50,000,000	2,511,000
Fidelia Corp.	07/25/08	07/25/18	6.21%	25,000,000	1,552,500
Fidelia Corp.	11/26/07	11/26/22	5.72%	47,000,000	2,688,400
Fidelia Corp.	04/13/07	04/13/31	5.93%	68,000,000	4,032,400
Fidelia Corp.	04/13/07	04/13/37	5.98%	70,000,000	4,186,000
					\$25,912,800

- (7) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and the amount of capital stock on which dividends were paid each year. (1)

Dividends on Common Stock, without par value

2004	\$57,000,000
2005	39,000,000
2006	95,000,000
2007	65,000,000
2008	40,000,000

(1) As of May 1998, the 21,294,223 shares are all owned by E.ON U.S. LLC (formerly LG&E Energy LLC) and all dividends declared by LG&E's Board of Directors are paid to E.ON U.S. LLC.

Dividends on 5% Cumulative Preferred Stock, \$25 par value

For each of the quarters in the years 2004 – 2006, the Company declared and paid dividends of \$.3125 per share on the 860,287 shares of 5% Cumulative Preferred Stock, \$25 par value, outstanding for a total of \$268,841 each quarter. The annual amount of dividends for each fiscal year 2004 - 2006 was \$1,075,365. All shares were redeemed on April 16, 2007. The amount of dividends declared and paid through April 16, 2007 was \$316,636.

Dividends on \$5.875 Cumulative Preferred Stock, without par value

For each of the quarters in the years 2004 – 2006, the Company declared and paid dividends of \$1.46875 per share on the \$5.875 series preferred stock outstanding. The preferred stock had a sinking fund requirement sufficient to retire a minimum of 12,500 shares on July 15 of each year commencing with July 15, 2003, and the remaining 187,500 shares on July 15, 2008 at \$100 per share. The Company redeemed 12,500 shares in accordance with these provisions annually on July 15, 2003 through July 15, 2006. The 200,000 remaining shares were redeemed April 16, 2007.

Annual dividends and interest on preferred stock, without par value for the previous five fiscal years were:

2004	\$1,358,594
2005	1,285,156
2006	1,211,719
2007	345,972
2008	0

Dividends on Auction Rate Cumulative Preferred Stock, without par value

<u>Month Declared</u>		<u>Payment Date</u>	<u>Rate Per Share</u>	<u>Amount</u>
March	2004	4/15/2004	0.37500	\$187,500
June	2004	7/15/2004	0.43750	218,750
September	2004	10/15/2004	0.48750	243,750
December	2004	1/18/2005	0.62500	312,500
				<u>\$962,500</u>
March	2005	4/15/2005	0.75000	\$375,000
June	2005	7/15/2005	0.97500	487,500
September	2005	10/17/2005	0.97500	487,500
December	2005	1/17/2006	1.10000	550,000
				<u>\$1,900,000</u>
March	2006	4/15/2006	1.20000	\$600,000
June	2006	7/15/2006	1.33750	668,750
September	2006	10/15/2006	1.44750	723,750
December	2006	1/15/2007	1.27500	637,500
				<u>\$2,630,000</u>
March	2007	4/13/2007	1.25000	\$625,000
				<u>\$625,000</u>

Dividend is based on 500,000 shares for all periods. All shares were redeemed on April 16, 2007.

(9) Detailed Income Statement, Balance Sheet and Statement of Retained Earnings

Monthly Financial and Operating Reports are filed each month with the Kentucky Public Service Commission. Our most recent mailing covered financial statements for periods through August 31, 2009. Attached are detailed Statements of Income, Balance Sheets and Retained Earnings for the Company for the period ending August 31, 2009.

**Louisville Gas and Electric Company**  
**Balance Sheet as of August 31, 2009**

Assets and Other Debits	
Utility Plant	
Utility Plant at Original Cost.....	4,584,766,915.96
Less Reserves for Depreciation and Amortization.....	<u>1,989,145,641.67</u>
Total.....	<u>2,595,621,274.29</u>
Investments	
Ohio Valley Electric Corporation.....	594,286.00
Nonutility Property-Less Reserve.....	11,879.20
Special Funds.....	14,695,729.35
Other.....	<u>-</u>
Total.....	<u>15,301,894.55</u>
Current and Accrued Assets	
Cash.....	7,309,707.11
Special Deposits.....	1,034,019.13
Temporary Cash Investments.....	119.71
Accounts Receivable-Less Reserve.....	126,157,572.25
Accounts Receivable from Associated Companies.....	8,926,115.46
Materials and Supplies-At Average Cost	
Fuel.....	56,357,995.16
Plant Materials and Operating Supplies.....	29,102,632.40
Stores Expense.....	4,090,946.84
Gas Stored Underground.....	50,261,856.30
Allowance Inventory.....	4,668.62
Prepayments.....	4,587,589.01
Miscellaneous Current and Accrued Assets.....	<u>4,618,706.96</u>
Total.....	<u>292,451,928.95</u>
Deferred Debits and Other	
Unamortized Debt Expense.....	3,916,066.62
Unamortized Loss on Bonds.....	23,530,331.18
Accumulated Deferred Income Taxes.....	61,605,529.46
Deferred Regulatory Assets.....	321,416,621.31
Other Deferred Debits.....	<u>1,419,968.16</u>
Total.....	<u>411,888,516.73</u>
Total Assets and Other Debits.....	<u>3,315,263,614.52</u>

Liabilities and Other Credits	
Capitalization	
Common Stock.....	425,170,424.09
Common Stock Expense.....	(835,888.64)
Paid-In Capital.....	83,530,392.00
Other Comprehensive Income.....	(11,268,123.38)
Retained Earnings.....	<u>706,445,527.55</u>
Total Common Equity.....	<u>1,203,042,331.62</u>
Pollution Control Bonds - Net of Reacquired Bonds..	411,104,000.00
LT Notes Payable to Associated Companies.....	<u>485,000,000.00</u>
Total Long-term Debt.....	896,104,000.00
Total Capitalization.....	<u>2,099,146,331.62</u>
Current and Accrued Liabilities	
ST Notes Payable to Associated Companies.....	163,033,400.00
Accounts Payable.....	63,243,550.61
Accounts Payable to Associated Companies.....	12,750,853.81
Customer Deposits.....	20,842,672.59
Taxes Accrued.....	26,561,046.08
Interest Accrued.....	9,889,975.32
ST Obligations Under Capital Leases.....	-
Miscellaneous Current and Accrued Liabilities.....	<u>22,701,758.56</u>
Total.....	<u>319,023,256.97</u>
Deferred Credits and Other	
Accumulated Deferred Income Taxes.....	416,101,661.21
Investment Tax Credit.....	50,135,877.67
Regulatory Liabilities.....	96,491,351.85
Customer Advances for Construction.....	9,780,062.58
Asset Retirement Obligations.....	33,476,583.62
Other Deferred Credits.....	35,228,474.29
Miscellaneous Long-term Liabilities.....	40,252,451.25
Accum Provision for Postretirement Benefits.....	<u>215,627,563.46</u>
Total.....	<u>897,094,025.93</u>
Total Liabilities and Other Credits.....	<u>3,315,263,614.52</u>

**Louisville Gas and Electric Company**  
**Statement of Income**  
**August 31, 2009**

	Year Ended 8/31/2009
Electric Operating Revenues.....	986,939,247.34
Gas Operating Revenues.....	<u>442,908,758.74</u>
 Total Operating Revenues.....	 <u>1,429,848,006.08</u>
 Fuel for Electric Generation.....	 347,522,969.82
Power Purchased.....	95,738,674.92
Gas Supply Expenses.....	329,338,149.19
Other Operation Expenses.....	208,596,195.87
Maintenance.....	130,953,385.31
Depreciation.....	126,413,514.54
Amortization Expense.....	7,243,127.98
Regulatory Credits.....	(2,179,060.43)
Taxes	
Federal Income.....	22,671,645.36
State Income.....	1,550,394.33
Deferred Federal Income - Net.....	(2,262,082.68)
Deferred State Income - Net.....	(3,646,942.71)
Property and Other.....	25,310,779.11
Investment Tax Credit.....	6,370,700.98
Amortization of Investment Tax Credit.....	(3,300,805.19)
Loss (Gain) from Disposition of Allowances.....	(66,274.06)
Accretion Expense.....	<u>1,955,089.20</u>
 Total Operating Expenses.....	 <u>1,292,209,461.54</u>
 Net Operating Income.....	 137,638,544.54
Other Income Less Deductions.....	<u>(15,185,206.12)</u>
 Income Before Interest Charges.....	 <u>122,453,338.42</u>
 Interest on Long-term Debt.....	 41,577,925.54
Amortization of Debt Expense - Net.....	1,609,572.45
Other Interest Expenses.....	<u>6,618,784.75</u>
 Total Interest Charges.....	 <u>49,806,282.74</u>
 Net Income.....	 <u><u>72,647,055.68</u></u>

**Louisville Gas and Electric Company**  
**Analysis of Retained Earnings**  
**August 31, 2009**

	<u>Year Ended 8/31/09</u>
Balance at Beginning of Period.....	713,798,471.87
Add:	
Net Income for Period.....	72,647,055.68
Deduct:	
Common Dividends	
Common Stock Without Par Value.....	<u>80,000,000.00</u>
Balance at End of Period.....	<u><u>706,445,527.55</u></u>